



# City of Joplin, MO

## Community Development Block Grant Disaster Recovery Program

**Office of Audit, Region 7  
Kansas City, KS**

**Audit Report Number: 2016-KC-1006  
September 28, 2016**



**To:** Dana Buckner, Director, Office of Community Planning and Development,  
Kansas City, KS, 7AD

Betty Bottiger, Director, Office of Fair Housing and Equal Opportunity, Kansas  
City, KS, 7AEHP

**//signed//**

**From:** Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

**Subject:** The City of Joplin, MO, Did Not Always Comply With the Requirements of  
Section 3 of the Housing and Urban Development Act of 1968 for Its Disaster  
Recovery Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the City of Joplin, MO's Community Development Block Grant Disaster Recovery program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



**Audit Report Number: 2016-KC-1006**

**Date: September 28, 2016**

**The City of Joplin, MO, Did Not Always Comply With the Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Its Disaster Recovery Program**

# Highlights

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## What We Audited and Why

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We selected the City of Joplin, MO's Community Development Block Grant Disaster Recovery (CDBG-DR) program for review because the City was awarded more than \$45 million in CDBG-DR funds in April 2012 and received an additional \$113 million in May 2013. We previously audited the City's CDBG-DR program in 2013 and issued audit report 2014-KC-1002. At that time, the City had obligated only \$50,000 and had spent only \$20,280. Our audit objective for this report was to determine whether the City complied with the requirements of Section 3 of the Housing and Urban Development Act of 1968 in its CDBG-DR program.

## What We Found

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The City did not always comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 for its CDBG-DR program. It did not always direct employment and other economic opportunities generated from CDBG-DR funding to low- and very low-income persons and the businesses that employed them. In addition, it did not always incorporate the Section 3 clause into its contracts. As a result, the City may have denied low- and very low-income residents and the businesses that employed them more than \$2.2 million in economic benefits.

## What We Recommend

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We recommend that HUD (1) require the City to develop a checklist or other processes to verify that all contractors implement their Section 3 plans to ensure that the City spends disaster funds in compliance with the requirements to ensure that \$2.2 million in CDBG-DR funds are put to better use in the future, and (2) provide Section 3 technical assistance to the City and monitor the City's compliance with Section 3 requirements.

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# Background and Objective

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Joplin, MO, is located in southern Jasper County and northern Newton County in the southwestern corner of Missouri. Its population had grown to approximately 51,300 in July 2015 from 50,175 in 2010. On May 22, 2011, an EF-5 tornado,  $\frac{1}{2}$  to  $\frac{3}{4}$  mile wide, touched down at the edge of the city limits. According to the enhanced fujita (EF) scale, an EF-5 tornado is the most intense and destructive tornado and ranks the highest in the EF scale category. The tornado traveled on the ground throughout Joplin to the eastern city limits and continued into Duquesne, MO, and rural Jasper and Newton Counties. The tornadic winds were estimated at more than 200 miles per hour, and 161 people lost their lives. The images below show the destruction.



Section 239 of the U.S. Department of Housing and Urban Development (HUD) Act of 2012 (Public Law 112-55) provided up to \$300 million and an additional \$100 million (to remain available until spent) in Community Development Block Grant (CDBG) funds for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster. HUD awarded more than \$45.2 million of those funds to the City of Joplin with the condition that all funds be spent within its jurisdiction.

The Disaster Relief Appropriations Act of 2013 (Public Law 113-2) provided another \$16 billion (to remain available until September 30, 2017) in CDBG funds for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013. The City was awarded more than \$113.2 million of those funds with the condition that the City spend all funds in the portions of Jasper and Newton Counties located within the City's jurisdiction.

Section 3 of the Housing and Urban Development Act of 1968 is HUD's policy for providing preference to low- and very low-income residents and the businesses that employ them. Section 3 residents live in the community where applicable HUD funds are spent. Section 3 businesses substantially employ these residents for new employment, training, and contracting opportunities created from the use of covered HUD funds. Fund recipients and contractors can demonstrate compliance with Section 3's numerical goals by ensuring that 30 percent of all new hires on covered projects be very low-income residents and that 10 percent of the dollar amount of all covered construction contracts and 3 percent of the dollar amount of all covered nonconstruction contracts be awarded to Section 3 businesses. Entities receiving Section 3-covered funding need to document detailed narrative descriptions of the specific actions they took to comply with the requirements and to meet the minimum numerical goals for employment and contracting opportunities. The CDBG funds allocated to the City are subject to the requirements of Section 3.

This is our second audit report on the City's CDBG-Disaster Recovery (CDBG-DR) program. We issued report 2014-KC-1002 on January 29, 2014.

Our audit objective was to determine whether the City complied with the requirements of Section 3 of the Housing and Urban Development Act of 1968 in its CDBG-DR program.

# Results of Audit

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## **Finding: The City Did Not Always Comply With Section 3**

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The City did not always comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 for its CDBG-DR program. This condition occurred because the City lacked a method, such as checklists, to verify that its disaster recovery contracts contained the required Section 3 provisions and that its contractors fulfilled these provisions. As a result, the City may have denied low- and very low-income residents and the businesses that employed them more than \$2.2 million in economic benefits.

### **The City Failed To Comply With Section 3**

The City did not always comply with the requirements of Section 3 for its CDBG-DR program. It awarded 13 contracts worth more than \$41 million using its CDBG-DR funding. These contracts were all subject to Section 3 requirements. The amounts the City awarded to each contractor ranged from \$204,000 to more than \$8 million.

#### Section 3 Job Creation and Contracting Efforts

The City did not always direct employment and other economic opportunities generated from CDBG-DR funding to low- and very low-income persons and the businesses that employed them. Regulations at 24 CFR (Code of Federal Regulations) 135.1(a) required the City to “ensure that employment and other economic opportunities generated by certain HUD financial assistance, to the greatest extent feasible and consistent with existing Federal, State, and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns, which provide economic opportunities to low- and very low-income persons.”

The City required its contractors to complete certain steps in their Section 3 plans to show compliance. Its contractors agreed to submit a list of proposed workforce and subcontracting plans before work began and a list of actual workers hired and subcontractors used when the work was completed. They also agreed to recruit low-income City residents through various channels; maintain a list of eligible lower income applicants whom they could employ if a vacancy existed; notify all appropriate project area business concerns about pending subcontractual opportunities; contact unions, subcontractors, and trade associations to secure their cooperation for the program; and maintain records, including copies of correspondence, memorandums, etc., which documented that all of the above affirmative action steps had been taken. In addition, regulations at 24 CFR 135.32(e) require the City to document all actions taken to comply with the requirements, the results of actions taken, and impediments, if any.

HUD holds its recipients responsible for obtaining all the information showing its compliance with Section 3. The City did not maintain documentation of the actions taken by all of its contractors and impediments towards achieving Section 3. In addition, it did not require its engineering services firms to complete a Section 3 plan. While a Section 3 plan is not required

by Section 3 regulations, the City should have required it as a best practice. These engineering services firms received at least \$12.7 million in contracts without an executed plan of how they were going to meet Section 3 requirements. The 13 contracts the City awarded are summarized in 5 distinct categories, and the details are below.

#	Contract purpose	Amount
1	Engineering services	\$12,694,296
2	Park construction	3,930,850
3	Sewer repair and replacement	10,537,088
4	Trail improvement	204,000
5	Consultant administrator	14,238,470
	<b>Total</b>	<b>41,604,704</b>

### Section 3 Reporting

HUD requires entities that receive funding, subject to Section 3, to report their job creation and contracting activities annually. On its last Section 3 report to HUD, as of September 30, 2015, the City indicated that it created no new jobs, including no new Section 3 jobs. In addition, the City reported it did not award any Section 3 subcontracts over two reporting cycles while awarding more than \$12 million in contracts. The majority of the \$41 million in contracts listed in the table above had not yet been reported to HUD on the City's annual Section 3 reports when we conducted the audit.

### Section 3 Clause

The City did not always incorporate the Section 3 clause into its contracts. Regulations at 24 CFR 135.32(b) require the City to incorporate the Section 3 clause in 24 CFR 135.38 into all solicitations and contracts. A portion of the clause states that "the work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. [United States Code] 1701u (section 3)." See Appendix C for more details. The City did not incorporate the Section 3 clause into its contracts with its consultant administrator.

### **Lack of Checklists**

The City lacked a method, such as checklists, to verify that its disaster recovery contracts contained the required Section 3 provisions and that its contractors fulfilled these provisions. Specifically, the City lacked checklists, for example, to verify that each of its disaster recovery contracts and associated solicitations incorporated the Section 3 clause. In addition, it lacked checklists to verify that the contractors completed all of the required actions outlined in its Section 3 plans.

### **Denial of Economic Benefits**

The City may have denied low- and very low-income residents and the businesses that employed them more than \$2.2 million in economic benefits. The City had awarded \$14.67 million in construction contracts and \$26.93 million in nonconstruction contracts as of June 30, 2016, that were subject to Section 3. It was required to take actions to provide at least \$1.47 million in subcontracts to Section 3 companies for construction contracts (10 percent of \$14.67 million)

and almost \$808,000 to Section 3 companies for nonconstruction contracts (3 percent of \$26.93 million). The City had not yet met these thresholds at the time of our audit.

### **Conclusion**

The City did not comply with Section 3 requirements and possibly denied low- and very low-income residents and the businesses that employed them more than \$2.2 million in economic benefits. These problems occurred because the City lacked a method, such as checklists, to verify that its disaster recovery contracts contained the required Section 3 provisions and that its contractors fulfilled these provisions. Only one of the reviewed contracts had been closed out at the time of our audit, so the City still had an opportunity to comply with Section 3 before closing out the remaining contracts.

### **Recommendations**

We recommend that the Director of HUD's Kansas City, KS, Office of Community Planning and Development

- 1A. Require the City to develop a checklist or other processes to verify that all contractors implement their Section 3 plans to ensure that the City spends disaster funds in compliance with the requirements to ensure that \$2,275,177 in CDBG-DR funds are put to better use in the future.

We recommend that the Director of HUD's Kansas City, KS, Office of Fair Housing and Equal Opportunity

- 1B. Provide Section 3 technical assistance to the City and monitor the City's compliance with Section 3 requirements.

# Scope and Methodology

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We performed onsite work between April and August 2016 at City Hall, located at 602 South Main Street, Joplin, MO. Our audit period generally covered April 1, 2015, through April 30, 2016; however, we expanded the scope to determine the contract amounts as of June 30, 2016. This is the second in a series of audits that we conducted on the City's CDBG-DR program.

To accomplish our audit objective, we

- Interviewed pertinent City and CDBG-DR grant administrator staff;
- Reviewed Public Laws 112-55 and 113-2, applicable portions of the Code of Federal Regulations, and Federal Register notices;
- Reviewed the City's CDBG-DR policies, CDBG program manual, and purchasing and procurement policies and procedures;
- Reviewed the grant agreement executed between HUD and the City;
- Analyzed and reviewed contracts executed between the City and contractors;
- Reviewed HUD's monitoring review of the City's CDBG-DR program;
- Reviewed the City's audited financial statements; and
- Reviewed Joplin City Council meeting minutes and agendas.

Our audit focused on contracting activities. We identified 44 disaster recovery-related contracts funded through the City's CDBG-DR program. We reviewed all of the contracts that were subject to Section 3 requirements and directly executed by the City, for a total of 13 contracts. The other 31 contracts were either awarded by the City's subrecipients or below the Section 3 threshold. The 13 contracts were worth more than \$41.6 million, involved 9 contractors, and represented 81 percent of the value of all contracts the City and its subrecipients had awarded as of June 30, 2016. We reviewed the supporting documents from these contracts to determine whether the City complied with all the requirements of Section 3. Specifically, we attempted to answer the following questions:

- Did the contracts include the Section 3 clause?
- Did the City ensure that all solicitations included all of the Section 3 criteria?
- Did the City ensure that the contractors met the minimum Section 3 numerical goals?
- If the contractor did not meet the Section 3 numerical goals, did the contractor show why it was not feasible to meet the goals?
- Did the City enforce the Section 3 requirements in its contract?

We primarily used hardcopy data from the City's files to meet our audit objective. In addition, we used HUD's Disaster Recovery Grant Reporting (DRGR) system as support, supported by other evidence, for the City's obligation and expenditure of CDBG-DR funds. Grantees use the DRGR system to drawdown funds and report program income as well as to submit action plans

and quarterly performance reports. We determined that the DRGR data were sufficiently reliable to meet our objective.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Controls over compliance with CDGB-DR regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- The City did not have adequate controls to ensure that its disaster recovery contracts and contractors complied with Section 3 requirements.

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Funds to be put to better use 1/</b>
1A	\$2,275,177

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this case, if the City provides documentation that it made its best effort to comply with Section 3, it will ensure that it puts \$2,275,177 to better use in the future.

## Appendix B

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments

Comment 1

Comment 2



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September 19, 2016

Ronald J. Hosking  
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RE: *City of Joplin Response to Discussion Draft Audit Report Dated September 7, 2016*

Thank you for the opportunity to respond to the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) audit report 2016-KC-XXXX. The City of Joplin (City) thanks the OIG for its continued oversight and assistance to ensure the City's successful completion of these important disaster recovery grants. We agree with the recommendations presented. We acknowledge there are always opportunities to improve upon our grant practices.

**Finding: The City Did Not Always Comply With Section 3**

From the beginning of the grant, the City searched the HUD Portal to determine if there were local Section 3 eligible business entities for which we could contact to ensure they were aware of these business opportunities. Unfortunately, the Registry showed that there were no reportable Section 3 businesses in the City of Joplin or the Counties of Jasper and Newton. Secondly, as we discussed with the OIG, contractors reported that they did not have a business need to hire workers to carry out this work at the outset of the projects.

Regarding Section 3 reporting, as required by HUD, the City complied with reporting requirements. However, the first two annual reports submitted by the City reflected no new hires by contractors, and subsequently no Section 3 new hires. The City points out that 12 of the 13 contracts reviewed by OIG are still open contracts at the time of the audit; and the City still has an opportunity to reach Section 3 goals or provide justifications as why the goals were unattainable.

**Denial of Economic Benefits**

The OIG found that the City may have denied economic benefits to low and very low income residents and businesses that employ them. The OIG states:

*"The City may have denied low-and very low-income residents and the businesses that employed them more than \$2.2 million in economic benefits. The City had awarded \$14.67 million in construction contracts and \$26.93 million in nonconstruction contracts as of June 30, 2016, that were subject to Section 3. It was required to provide at least \$1.47 million in*

## Auditee Comments

### Ref to OIG Evaluation

#### Comment 3

*subcontracts to Section 3 companies for construction contracts (10 percent of \$14.67 million) and \$808,000 to Section 3 companies for nonconstruction contracts (3 percent of \$26.93 million). The City had not yet met these thresholds at the time of the audit."*

We ensured that 11 out of 13 contracts, executed by the City, had proper Section 3 clauses and we obtained information regarding their status of hiring before the work started. Moreover, the two contracts in which Section 3 clauses were not included, had substantial success in subcontracting to a Section 3 entity as well as hiring Section 3 residents by a prime contractor. This fact was conveyed to the OIG auditor; however, the City does recognize the need to document those efforts in writing at the time of occurrence. Moreover, the City anticipates that the next annual reporting to HUD will show successes since the City has more progress to report since our last reporting.

Related to Section 3 compliance in this regulation, the following text does not appear to be addressed:

**24 CFR § 135.30 Numerical goal for meeting the greatest extent feasible requirement (d)**  
*(2) "In evaluating compliance under subpart D of this part, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. A recipient or contractor also can indicate other economic opportunities such as those listed in § 135.40..."*

We informed the auditor of all of the barriers related to the contractors hiring Section 3 employees. Additionally, we informed the auditor that the contractors reported that their business models, related to engineering and construction work, did not require any hiring to complete their projects. However, again, the City recognizes the need to document these efforts as they occur.

In the audit report, the OIG states the City may have denied low and very low income residents economic benefits. We note that **24 CFR § 135.40 Providing other economic opportunities** allows recipients to provide Section 3 residents with other opportunities. Specifically, the regulation allows:

*"(a) General. In accordance with the findings of the Congress, as stated in section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with section 3 covered assistance.*

*(b) Other training and employment related opportunities. Other economic opportunities to train and employ section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring section 3 residents in management and maintenance positions within other housing developments; and hiring section 3 residents in part-time positions"*

#### Comment 4

We respectfully submit that while not complete but well underway, is the development of an advanced training and technology center for the benefit of low and moderate income residents. City Council adopted a Capital Plan in July, 2015, to provide industry training in a state-of-the-art technical training center with the goal for low and moderate income/ Section 3 residents to be prepared to secure long-term employment in industries such as construction, advanced manufacturing, information technology, welding, and the culinary arts. The training target also

## Auditee Comments

### Ref to OIG Evaluation

#### Comment 4

includes industry employees who already have lower skill jobs in industry and are Section 3 residents, but such skill enhancements may be the key to upward mobility for them. Overall, our projects have been designed with service in mind to meet HUD's national objectives for Low to Moderate Income (LMI) persons, which aligns with the income limits for Section 3. Because of the overlapping nature of this key demographic data, the City has served Section 3 residents through most of its projects, including economic development initiatives that create Section 3 or LMI jobs.

The OIG concluded that the City's tracking of Section 3 efforts were ineffective. The City agrees that improvements can be made and we have immediately implemented several better tracking practices. We are emphasizing Section 3 requirements at biweekly and monthly meetings with contractors and we are asking to receive periodic reports from contractors in the event that their business model demands hiring. We are keeping these Section 3 discussion notes in every project file for reference. Although not required in federal regulations, periodic check-ins regarding this requirement will allow us to be more proactive.

Any opportunity to enhance our understanding and progress toward compliance with Section 3 requirements and goals is welcomed and the City will continue to support HUD in advancing this important goal. Should you have any questions about this response, please contact me at (417) 624-0820 Ext. 510 or by e-mail at [tbolander@joplinmo.org](mailto:tbolander@joplinmo.org). Thank you for your consideration.

Sincerely,



Troy Bolander  
Planning, Development, and Neighborhood Services Director

Cc: Dana Buckner, Director, Office of CPD, Kansas City, KS  
Betty Bottiger, Director, Office of FHEO, Kansas City, KS

### **OIG Evaluation of Auditee Comments**

- Comment 1     While it is a good practice for the City to search HUD’s Section 3 Business Registry to identify businesses to contract with, the City needs to initiate other actions to identify current and potential Section 3 businesses that can receive subcontracts but may not have known to register on HUD’s Section 3 Business Registry. In addition, the City should monitor its contractors to ensure they consider hiring section 3 employees when they have vacancies to fill.
- Comment 2     The City needs to ensure that it reports all Section 3 subcontracts awarded and jobs created by its contractors and subcontractors while the disaster recovery contracts are still open.
- Comment 3     We commend the City for its contractors’ success in subcontracting to a Section 3 company but emphasize that the required Section 3 clauses are mandatory and need to be in all contracts it awards.
- Comment 4     While the proposed advanced training and technology center will help in training potential Section 3 employees when completed, it should be viewed as a complement to the other efforts of the City, contractors, and subcontractors in creating opportunities for these economically disadvantaged people.

## Appendix C

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### Criteria

Regulations at 24CFR 135.38 state that all Section 3-covered contracts must include the following clause (referred to as the Section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).